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Message Text

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50
ACTION EA-14

INFO OCT-01 ISO-00 FEA-02 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08 DRC-01 CU-05

SCI-06 CEQ-02 EPA-04 PA-04 PRS-01 USIA-15 NSC-07

SS-20 CEA-02 /171 W
---------- 049007
R 060945Z SEP 74
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 6517
INFO AMEMBASSY TOKYO

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DEPT PLEASE PASS OPIC, EXIM, AND USDOC

E.O. 11652: N/A
TAGS: EINV, PFOR, ENRG, TH
SUBJECT: REPORTED JAPANESE HALT ON INVESTMENT IN THAILAND, INCLUDING PETROCHEMICAL COMPLEX

REF: BANGKOK 10308

1. SUMMARY. LOCAL PRESS REPORTS THAT JAPANESE INDUSTRY HAS DECIDED TO HALT OR DEFER FURTHER PRIVATE INVESTMENTS IN THAILAND, OR EVEN TO WITHDRAW FROM EXISTING INVESTMENT, WITH CONSIDERABLE SPECULATION THAT MOVE IS BASED ON INSTRUCTION BY GOJ. AN IMMEDIATE EFFECT OF MOVE WOULD BE TO DISRUPT WELL-ADVANCED PLANS FOR CONSTRUCTION OF MAJOR PETROCHEMICAL COMPLEX. SOME THAI PROMOTERS HAVE INFORMALLY SUGGESTED PRIVATE U.S. PARTICIPATION MIGHT BE ATTRACTED TO REPLACE JAPANESE IN EVENT THEY LEAVE. END SUMMARY.

2. LOCAL PRESS SINCE SEPT 4 HAS BEEN PROMINENTLY REPORTING
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THAT JAPANESE INDUSTRY HAS DECIDED TO HALT OR DEFER FURTHER

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INVESTMENT IN THAILAND, INCLUDING MAJOR MITSUBISHI, MITSUI INTERESTS IN DOWNSTREAM PORTION OF PLANNED $400 MILLION PETROCHEMICAL PROJECT (REFTEL). DECISION ATTRIBUTED VARIOUSLY TO LOCAL SOCIAL AND LABOR UNREST, ANTI-JAPANESE CAMPAIGNS, ALLEGATIONS BY STUDENTS AND OTHERS THAT PETRO-CHEMICAL PLANT WILL BRING POLLUTION, AND TIGHT MONEY SITUATION IN JAPAN. MOST RECENT REPORTS ARE THAT RTG'S BOARD OF INVESTMENT IS INSISTING THAT JAPANESE MAINTAIN AGREED SCHEDULE ON INTEGRATED PETROCHEMICAL PLANT WHICH IS ALREADY BEYOND PLANNING STAGES; DISCUSSIONS ARE CONTINUING.

2. "BANGKOK POST" ARTICLE, REPORTING THAT MITSUBISHI AND MITSUI HAVE REQUESTED THREE-YEAR POSTPONEMENT OF PETRO-CHECMICAL PROJECT, ALLEGES THAT INDUSTRY MOVE HAS BEEN MADE ON ADVICE OF GOJ OFFICIALS. "NATION" REPORTED THAT SOME JAPANESE FIRMS ALREADY OPERATING HERE MAY PULL OUT BECAUSE OF SLUGGISH ECONOMY AND POLITICAL AND SOCIAL UNREST, BASING REPORT ON ALLEGED SURVEY OF 131 MEMBER COMPANIES BY JAPANESE CHAMBER OF COMMERCE.

3. ALTHOUGH THERE ARE CONTRADICTIONS AMONG VARIOUS REPORTS AND COMMENTS BY INTERESTED PARTIES ON MOTIVATION FOR AND EXTENT OF JAPANESE INVESTMENT WITHDRAWAL, IT SEEMS CLEAR THERE IS CONSIDERABLE SUBSTANCE TO THEM. LOCAL JETRO OFFICIALS CONTACTED BY THE EMBASSY CONFIRMED THAT "BANGKOK POST" STORY IS BASICALLY TRUE, STATING THE JAPANESE INDUSTRY IS CONCERNED ESPECIALLY BY THE ANTI-POLLUTION CAMPAIGN (WHICH THEY FELT WAS BASELESS), AS WELL AS GENERAL "BAD FEELING" AGAINST JAPANESE INVESTORS, AND FINANCIAL PROBLEMS IN JAPAN; THEY STOUTLY INSISTED, HOWEVER, THAT JAPANESE INDUSTRY DECISIONS ARE BEING MADE ON THEIR OWN, WITHOUT PRESSURE FROM GOJ OR JETRO. HOW-EVER, INDUSTRY MINISTER AROON INFORMED EMBASSY PAO SEPT 2, HAVING RETURNED PREVIOUS DAY FROM VISIT TO JAPAN, HE HAD BEEN INFORMED BY MITI AND OTHER OFFICIALS THAT THEY WERE SERIOUSLY CONSIDERING PULLING OUT A LARGE AMOUNT OF JAPANESE INVESTMENT IN THAILAND DUE TO THE MOOD, AS REPRESENTED BY STUDENT MANIFESTATIONS AND GENERAL UNCERTAINTY ABOUT THE ECONOMY. MR. K.Y. CHOW, PRINCIPAL LIMITED OFFICIAL USE

THAI PROMOTER OF PETROCHEMICAL PROJECT, CONFIRMED TO VISITING EXIM BANK CHAIRMAN CASEY SEPT 5, THAT MITSUBISHI AND MITSUI HAD REQUESTED THREE-YEAR DEFERRAL OF PROJECT. ACCORDING TO CHOW, REQUEST WAS CONTAINED IN NOTE WHICH CITED ECONOMIC FACTORS AS BASIS FOR REQUEST, BUT WHICH, WITHOUT SAYING SO SPECIFICALLY, STRONGLY IMPLIED THAT IT WAS POLITICALLY MOTIVATED.

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4. ONE LOCAL AMERICAN BUSINESSMAN, WHOSE WIFE IS JAPANESE, SAYS HE KNOWS FOR A FACT THAT AT LEAST ONE OR TWO SMALL LOCAL JAPANESE ELECTRONICS FIRMS HAD RECENTLY CLOSED THEIR OPERATIONS, WITH THE JAPANESE MANAGERS AND FAMILITES SUDDENLY RETURNING TO JAPAN.

5. ON THE PETROCHEMICAL PROJECT, IMPLEMENTATION OF THE UPSTREAM PORTION (WITH SHELL AND LOCAL THAI INTERESTS) HAS BEEN PROCEEDING ON SCHEDULE, WITH LAND ACQUIRED, BIDS ACCEPTED FOR CONSTRUCTION OF NAPHTHA CRACKER, AND WINNER SCHEDULED TO BE ANNOUNCED ON OCTOBER 1, CONSTRUCTION IS PLANNED TO COMMENCE SOON THEREAFTER. (CHOW SAYS WINNER WILL DEFINITELY BE AN AMERICAN COMPANY, EITHER LUMMUS OR KELLOGG.) HOWEVER, UPSTREAM AND DOWNSTREAM UNITS ARE INTEGRATED, AND DELAY IN IMPLEMENTATION OR CANCELLATION OF DOWNSTREAM PORTION WOULD AUTOMATICALLY DESTROY VIABILITY OF UPSTREAM PORTION.

6. DURING MEETING WITH MR. CHOW, CHAIRMAN CASEY DISCUSSED POSSIBILITY OF AMERICAN PARTICIPATION, AND EXIM FINANCING THEREOF, IN PETROCHEMICAL PROJECT, IN VIEW OF JAPANESE REQUEST FOR POSTPONEMENT. CHOW VIEWED JAPANESE ACTION AS VIRTUAL PULL-OUT SINCE REQUEST CONTAINED NO QUARANTEE THAT COMPANIES WOULD RE-ENTER PROJECTS AT END OF SPECIFIED PERIOD. CHOW'S REMARKS GAVE NO CREDENCE TO PRESS REPORT SEPT 6 TO EFFECT CHOW HIMSELF WANTED POSTPONEMENT OF PROJECT.

7. SITUATION IS STILL FLUID, AND FURTHER SIGNIFICANT DE-VELOPMENTS WILL BE REPORTED. RTG MAY WELL APPEAL TO JAPANESE GOVERNMENT IN POLITICAL CONTEXT NOT TO WITHDRAW FROM PROJECT, AND IN DOING SO TO GRANT ADDITIONAL CON-CESSIONS TO JAPANESE SIDE, A DEVELOPMENT SPECULATED UPON BY LOCAL AMERICAN BANKER AS ONE JAPANESE MOTIVIATION
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FOR REQUEST FOR POSTPONEMENT.
KINTNER

NNN

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